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bcc

Subject MAS Panel Wants More Feedback

History

This message has been forwarded

Pat

I've submitted several comments to Lesa Scott for the MAS advisory panel to possibly consider, given today's notice in GSA InSite, I've consolidated all of them into one message for the panel



IFF As a Line Item charge doc



Cancel Low Sales MAS Contractors doc



IFF Grace Period doc

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I've been thinking about this for the past thirteen years and have suggested it many different times to many different senior managers, maybe this is fundamental change the MAS panel might want to consider

- Report the IFF as a Separate Line Item on Customer Invoices

Thirteen years ago, when the MAS IFF was first introduced, the legacy FSS managers did not consider pricing the IFF as a separate line item because the administration at that time believed that a separate line item IFF had the look and feel of a GSA "tax" appearing on contractor invoices to federal customers. The Clinton administration wanted nothing to do with anything that looked like it was levying a tax. History has proved that concept false since many other competing schedule-like acquisitions list the "contract access fee" as a separate line item on invoices including our own FAS Assisted Acquisition Service.

The fee was a new concept to federal MAS customers thirteen years ago, however, today it's understood as a way of conducting business across various competing acquisition vehicles. I suggest that it is time to consider listing the fee directly on contractor invoices as a separate line item, because doing so has two important advantages:

1) Building the fee into the MAS price becomes an overwhelming issue when FAS decides to either raise or lower the fee. Presently, building a fee into a base price and then trying to change the fee is a complicated and tedious process for industry because it requires them to change every accounting record, every individual item on every price list, and every marketing publication if GSA decides to change its fee.

I suggest that GSA requires its contractors to list the fee on invoices as its own separate line item, thus no individual prices (for all 15 million products sold under schedule) would ever have to be individually changed. The marketing publications would all still be valid, price lists would still be valid, and the only thing that changes (resulting from an IFF change) is the bottom line fee on individual invoices.

I do not believe that you were working at GSA when we last changed the fee from one to three quarters of one percent - it took us years for GSA to get it right and even today, we still find the occasional vendor that didn't lower the fee against his prices. It's no wonder that industry objects so strongly to any IFF percentage changes - their administrative efforts equal a total nightmare.

2) In 1995 my strongest objection to our singular fee structure was the notion that GSA did nothing to reward its best and most favored federal customers. If a GSA MAS customer were to place an order for a million dollars, the fee is 3/4 of 1 percent, whereas if another GSA MAS customer places orders for \$1,000 - guess what - the fee is still 3/4 of 1 percent.

What is the general message that we are sending to our customers with our fee pricing structure? You heard it first-hand during your panel meeting, and that is - GSA really isn't that interested in its customers receiving the very best prices. Our simple but uncreative fee structure sets the tone for this very argument. Acquisition professionals in GSA probably believe that contractors would price the million dollar order quite a bit differently from the one-thousand dollar order (and that may happen). Notwithstanding, the larger question still looms: what is GSA doing to facilitate and encourage that best-value pricing process and show industry and our customers exactly where we stand on this matter? The message should be loud and clear: the largest orders from our most favored agency customers using our schedule as their acquisition vehicle of choice lead to a sliding fee based on volume. The smartest way to meet and accomplish this objective requires fundamental change to our fee disclosure (directly on invoices versus built into prices) methods.

In summary, as smart as it was thirteen years ago to build the fee directly into the contractor-charged prices, it was probably fundamentally flawed to do such a thing. Pricing the industrial

Just read the latest comments from the MAS Advisory panel concerning MAS contractors and low sales (specifically Justice's Eldred Jackson) I've given the low sales issue some thought in the past and here are my comments for possible ways to fundamentally change the MAS low sales contract requirements

1) Most companies think that they have been awarded a five-year contract - I suggest that we just simply leave the contract in place for 5 years thus avoiding any grief and angst associated with low sales cancellation process After five years, if the minimum sales amount of \$100K (or some new and higher threshold) hasn't been generated in the previous five years - the PCO does not award an option year extension, and

2) If the firm quickly and automatically submits a new bid, the failure to extend any option period due to insufficient sales will not be considered until the firm submits its get-well business plan along with its marketing strategy for the follow-on five year period As a means to avoid any argument that we are somehow suspending a bidder from any new offers and submissions, the award of any automatic new offer must first consider the bidder-developed marketing plan

3) Alternatively, since most companies think that they have a five-year contract, and if GSA considers five years simply too long for us to administer the contract without any sales, then consider this

- Award a two-year contract, with three six-year option periods, GSA will expect that \$25K (or some new and higher number) in sales will occur in the first two years, and if not

- no six-year contract extension will be awarded The get-well business and marketing plans mentioned above will apply to any bidder's automatic re-offer

and lastly, my strongest suggestion

4) The \$25K minimum annual requirement seems rigid and arbitrary and certainly doesn't consider any past history of cyclical sales fluctuations

I suggest a new way of evaluating whether the contractor meets the minimum sales criteria average the sales over the past five or more years Averaging doesn't seem to apply in the clause as it's presently written A revised sales criteria clause should take the average of the contractor's sales, and those averaged sales must then exceed our minimum annual requirement Plenty of PCOs and a few ACOs already now think that averaging is presently the means for evaluation (of course it's not) - but inconsistencies presently exist in the interpretation - another good reason to re-think what is the best way to manage minimum sales

The poster boy for this argument is our IT service contractor with previous sales of 42 million dollars - yet the firm does not have any sales within the past several years - regardless, we have proposed contract cancellation This is consistent in accordance with the present low-sales guidelines - nevertheless - it's also arguable that this firm should keep its contract using sales averaging (see my further comments below of the nature of service contracts)

You may not have been aware of my involvement back in the mid-1990s when the minimum sales clause was first written I suggested that since no one in GSA had any idea of how long it takes for a new MAS contractor to ramp-up and generate sales, allowing for just two-years to generate \$25K in sales along with the \$25K annual sales requirement thereafter might be simply arbitrary No business case analysis was ever presented in 1995 as to where and why these requirements exist So, how is it that we have such a clause?

Paradigms

funding fee as a separate line item would be widely accepted by industry as an acknowledgment of their challenges they must face if GSA were to ever again raise or lower the IFF. Our customers would widely accept the line-item IFF and any sliding fee associated with large customer invoices as an acknowledgement by GSA that pricing associated with loyal and returning customer has its rewards, rewards given by GSA directly to its customers rather than relying solely on contractor-based price reductions that we now promote (and hope that our customers receive)

The possibilities are endless if GSA were to list the MAS IFF as its own separate line item on contractor invoices and may even help the GSA with arguments from customers that we are not doing enough to guarantee that customers receive the very best prices when they choose the Multiple Award Schedules as their preferred acquisition vehicle

Industrial Funding Fee -15 Day Grace Period

Thirteen years ago, the schedules program only had to concern itself with about 3,000 contractors reporting 27 billion dollars in sales

Today, it's 18,000 contractors reporting over 36 billion dollars in sales resulting from an overall schedules program growth of about 10 to 12% per year. Despite that phenomenal growth, for the past thirteen years, we only allow our vendor partners just 30 days to collect, summarize and itemize 36 billion dollars in sales and then pay the Industrial Funding Fee against those sales in the same 30 day period

It is simply impractical to expect 36 billion dollars (9 billion dollars per quarter) worth of sales to be collected, summarized and paid to GSA in such a short 30 day period

I offer the following suggestion as part of an industry GSAM announcement. Report the IFF in the 30-day window following a quarter's end (no change), however, encourage our vendor partners to pay the IFF within the same 30-day period but then allow a 15-day "grace" period for industry to pay the IFF electronically. (Note that the proposed GSAM changes now require electronic payment, i.e. no more paper checks as IFF submittals)

The benefit to industry will be enormous - too many firms have sophisticated accounts payable software, processing times from one department (collecting the sales) to the next (accounts payable) is simply not conducive to a 30-day turnaround. A grace period is just that - we are not changing our expectation that the IFF is still required to be paid in 30 days, we are simply acknowledging that some firms have more complicated processing times than others.

Many of the managers that helped develop the minimum sales criteria clause in 1995 were not managers with the full range of experience associated with IDIQ contracts - the schedule program as we know it today was in its infancy in 1995 - Global Supply was primarily the largest existing program (and paradigm) within the legacy FSS. In the Global Supply world - it probably makes sense to think linearly and predictably - managers were used to steady ebb and flow of pretty much the same amount and type of Global Supply orders and products entering the supply system.

Since the IDIQ world is a totally different acquisition world from Global Supply, the nature of IDIQ programs is one where predictability is not guaranteed, work is continually competed within existing programs, and work received today by a service contractor goes elsewhere tomorrow. Service contracting fits the unpredictable and nonlinear model at the individual contract level - it's the nature of the work - and I believe that my suggestions above acknowledge the nature of IDIQ contracts thus allowing for more flexibility in our minimum sales evaluation criteria and making for a wiser and continually improving GSA. Our industry partners would probably buy-in to some of these suggestions with vigor.

Hope that you find these comments helpful, I very much like what the panel is discussing - nice job.